United Nations DP/FPA/2016/2 (Part I/Add.1)

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

Distr.: General
20 April 2016

Original: English

Annual session 2016
6 to 10 June 2016, New York
Item 10 of the provisional agenda
UNFPA – Annual report of the Executive Director

United Nations Population Fund

Statistical and financial review, 2015

Report of the Executive Director

Summary

This report provides summary financial information on UNFPA revenue and expenses for 2015, and on assets, liabilities and fund balances, as at 31 December 2015. The figures in this report are consistent with the full accrual basis of accounting. All data in the document is provisional, subject to external audit. This report should be read in conjunction with the report on the midterm review of the Integrated Budget, 2014-2017 (DP/FPA/2016/3).

UNFPA generated $992.8 million in revenue in 2015. This represented a 3.2 per cent decline, compared to 2014, when revenue totalled $1,025.1 million. While this decrease is largely attributable to regular resources, which declined by 15 per cent (from $523.4 million in 2014 to $444.8 million in 2015), it has been partially offset by an increase in revenue from other resources, which grew by 9.2 per cent (from $501.7 million in 2014 to $548.0 million in 2015).

UNFPA expenses in 2015 totalled $977.4 million. This represented a 2.5 per cent decrease, compared to 2014, when total expenses amounted to $1,002.1 million. This is primarily attributable to expenses under regular resources, which decreased by $17.7 million (3.5 per cent), from $500.4 million in 2014 to $482.7 million in 2015. Expenses under other resources decreased by a much smaller margin (1.4 per cent), from $501.7 million in 2014 to $494.7 million in 2015.

UNFPA ended 2015 with $794.4 million in reserves and fund balances. The regular resources share of reserves and fund balances was $64.8 million, of which $24.8 million were available for programming ($25.1 million in 2014). The other resources fund balance equalled $729.6 million. This amount includes $278.6 million of contributions receivable that were not due for payment by the end of 2015. It also includes contributions that have been received but are earmarked for future years.

The operational reserve was reduced by $16.7 million, from $95.1 million in 2014 to $78.4 million in 2015, to set the amount of the reserve equal to 20 per cent of the regular resources contributions revenue for the year.

UNFPA managed to close the year 2015 in good financial health by ensuring that its outstanding commitments remained within the available financial resources. However, the decreased share of regular resources as a proportion of total resources presents new challenges for the organization, particularly as this trend is not expected to reverse in the foreseeable future.

Elements of a decision

The Executive Board may wish to take note of the present report.

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I. Introduction

1. The statistical and financial review, 2015, provides summary information on UNFPA revenue and expenses for the year, and on assets, liabilities and fund balances, as at 31 December 2015. This information is provided for activities funded by both regular and other resources. All figures in the present document are provisional, subject to external audit and, as a result of rounding, may not add up to the totals.

2. The statement of "revenue and expenses for the year ended 31 December 2015" is provided in the annex 1, table 1, for regular, other and total resources. The statement of "assets, liabilities and fund balances as at 31 December 2015" is provided in the annex 1, table 2, for total resources. The statement of changes in net assets for the year ended 31 December 2015 is provided in annex 1, table 3.*

3. The 2015 figures are prepared in compliance with full accrual basis of accounting, with the exception of annex1, table 15, which presents resource utilization in the integrated resource plan on a budgetary comparable basis (modified accrual basis).

4. Throughout the report reference is made to contribution revenue as 'gross' or 'net'. Gross contributions include amounts specified in agreements signed with donors, and are recognized as revenue consistent with UNFPA accounting policies, regardless of the period of implementation and the payment schedule. Net contributions for regular resources are exclusive of transfers to other revenue for reimbursement of tax charges to the citizens of one Member State. Net contributions to other revenue exclude refunds to donors, cost recovery charges and UNFPA contributions to joint programmes where Fund serves as managing agent.

II. Total resources

A. Revenue

5. Total gross contribution revenue for the last five years can be summarized as follows:

	2015	2014	2013	2012	2011
	Millions of United States dollars				
Regular resources – gross	398.2	477.4	460.0	437.5	450.7
Other resources – gross	581.3	529.2	504.3	533.6	439.8
Total gross contributions	**979.5**	**1 006.6**	**964.3**	**971.1**	**890.5**
Other resources, as percentage of total resources	59.3%	52.6%	52.3%	54.9%	49.4%

6. Contributions to regular resources have decreased by $79.2 million (16.6 per cent) from 2014 to 2015. Contributions to other resources have increased over the same period by $52.1 million (9.8 per cent), thereby increasing the share of other resources, as a percentage of total contributions, from 52.6 per cent in 2014 to 59.3 per cent in 2015. This increase is consistent with the trend of continuous growth of other resources as a percentage of total contributions, which was observed during last five years (with exception of 2013).

7. Total revenue in 2015 amounted to $992.8 million (see annex 1, table 1); this represented a $32.3 million (3.2 per cent) decline over 2014 levels ($1,025.1 million).

8. In 2015, other revenue totalled $57.2 million ($61.5 million in 2014), equivalent to 5.8 per cent of total revenue for the year. Other revenue includes cost recoveries for implementation of programme activities under other resources ($33.3 million), investment revenue ($6.8 million), reimbursement of tax charges paid to citizens of one Member State

* The annexes to this report can be found on the UNFPA Executive Board website.

($5.9 million), income from performing procurement services for third-party clients ($3.0 million) and other activities ($8.2 million).

B. Expenses

9. Total expenses for 2015 were $977.4 million, which is $24.7 million lower than in 2014, when total expenses amounted to $1,002.1 million.† This decline is primarily attributable to expenses under regular resources. Details are provided in sections III.A and IV.A of this report.

10. Total expenses can be summarized as follows:

	2015	
	Millions of United States dollars	*Per cent*
Country programmes, global and regional interventions (GRI) and other programme activities	798.6	81.7
Institutional budget - gross	140.3	14.4
Corporate	38.5	3.9
Total expenses	**977.4**	**100.0**

11. Programme and institutional budget expenses can be summarized by region as follows:

	2015	
	Millions of United States dollars	*Per cent*
East and Southern Africa	201.2	21.5
West and Central Africa	161.7	17.2
Arab States	111.9	11.9
Asia and the Pacific	145.8	15.5
Latin America and the Caribbean	57.5	6.1
Eastern Europe and Central Asia	32.6	3.5
Office in Addis Ababa	0.8	0.1
Global activities	227.4	24.2
Total programmes and institutional budget	**938.9**	**100.0**

12. The strategic plan, 2014-2017, and its business model introduced a new classification of countries whereby all countries/territories in which UNFPA operates were categorized into four quadrants (red, orange, yellow and pink), based on a combination of factors, such as need, ability to finance and population. The list of all countries and their classification are included in annex 2.

13. Total programme and institutional budget expenses, with a breakdown by quadrant, are summarized in the table below:

† The statistical and financial review for 2014 reports annual expenses as $995.6 million. The difference between this amount and the figure ($1,002.1 million) quoted in this report, is due to additional expenses of $6.5 million related to 2014 fiscal year that were recorded after issuance of the statistical and financial review, 2014.

	2015	
	Millions of United States dollars	*Per cent*
Country expenses	**651.3**	**69.4**
Red	407.3	43.4
Orange	94.9	10.1
Yellow	68.8	7.3
Pink	80.3	8.6
Global and regional interventions	**57.8**	**6.1**
Regional	33.9	3.6
Global	23.9	2.5
Other regional and global expenses [a]	**229.8**	**24.5**
Other regional	26.3	2.8
Other global	203.5	21.7
Total programmes and institutional budget	**938.9**	**100.0**

[a] Includes non-GRI expenses of regional and headquarter offices such as programme activities covered with other resources and institutional budget expenses.

14. Programme and institutional budget expenses are further detailed in annex 1, tables 4 through 12.

15. UNFPA spent $798.6 million on country programmes, global and regional interventions, and other programme activities in 2015. Governments and non-governmental organizations implemented 32.5 per cent ($259.5 million) of these resources, compared with 31.1 per cent ($255.1 million) in 2014.

16. In 2015, 65.7 per cent of UNFPA programme activities (or $524.8 million) either had gender equality/women's empowerment as their primary objective or made a significant contribution to gender equality. This is 17.1 percentage points higher than in 2014, when 48.6 per cent (or $398.3 million) of programme expenses had women empowerment as primary objective or made a significant contribution to gender equality.

17. Country and regional offices spent $711.5 million on programme and institutional budget expenses in 2015. The breakdown of these expenses by country/territory, region and quadrant for regular and other resources is provided in annex 1, table 13.

18. In 2015, $137.0 million was spent from regular resources on programme activities in the least developed countries. This represents 53.6 per cent of the total regular resource expenses of $255.4 million for country programmes – an increase of 1.8 percentage points, compared to 2014, when 51.8 per cent of country programme regular resources expenses were spent in the least developed countries.

19. A total of $100.3 million of regular resources was spent on programme activities in low-income economies, representing 39.3 per cent of total regular resource expenses for country programmes in 2015. This is down by 3.5 percentage points, compared to 2014. This decline is primarily due to the change in classification for four countries, which were re-categorized from low-income to lower-middle-income economies.

20. The breakdown of expenses in least developed countries and low-income economies is provided in annex 1, table 14.

C. Fund balances and reserves

21. Reserves and fund balances at 31 December 2015 totalled $794.4 million and can be summarized as follows:

	2015
	Millions of United States dollars
Operational reserve	78.4
Reserve for field accommodation	5.0
Designated regular resources fund balances*	38.3
Undesignated regular and other resources fund balances	672.7
Total	**794.4**

* 'Designated' refers to the portion of regular resource balance that is designated for a special purpose and is not available for programming.

D. Integrated budget

22. In its decision 2013/32, the Executive Board approved the first UNFPA integrated budget, 2014-2017 (DP/FPA/2013/14), aligned with the strategic plan for the same period. The integrated budget encompasses all cost categories and results of the organization within a single, integrated framework.

23. Annex 1, tables 4 through 12, present information on expenses (on accrual basis of accounting) for the year ended 2015, by four development outcomes (with further details by output) and three organizational efficiency and effectiveness outputs, as per strategic plan and integrated budget.

24. Annex 1, table 15, presents information on the actual utilization of resources for 2014-2015, against the estimates included in the integrated resource plan of the integrated budget. Resource utilization is presented under the modified accrual basis of accounting, consistent with the budget presentation.

25. Annex 1, table 16, provides further details of the institutional budget component of the integrated budget by expense categories.

III. Regular resources

A. Revenue and expenses

26. A summary of revenue, expenses, fund movements and fund balances under regular resources for 2015 is presented in the table below.

	Undesignated funds	Designated funds	Reserves	Total
	Millions of United States dollars			
Fund balance at 1 January 2015	**(93.7)**	**45.7**	**100.1**	**52.1**
Contributions – gross	398.2	-	-	398.2
Less: transfers to other revenue for reimbursement of tax charges	(5.9)	-	-	(5.9)
Other revenue	52.3	0.2	-	52.5
Total revenue	**444.6**	**0.2**	**-**	**444.8**
Expenses	(481.6)	(0.7)	(0.4)	(482.7)
Total expenses	**(481.6)**	**(0.7)**	**(0.4)**	**(482.7)**

Transfers between funds and other adjustments	22.3	(6.9)	(16 3)	(0.9)
Plus: actuarial gain on after-service health insurance and other post-employment benefits	51.5	-	-	51.5
Total movements within fund balances	**73.8**	**(6.9)**	**(16.3)**	**50.6**
Fund balance at 31 December 2015	**(56.9)**	**38.3**	**83.4**	**64.8**

27. Compared to 2014, total revenue under regular resources has decreased by $78.6 million (15.0 per cent), from $523.4 million in 2014 to $444.8 million in 2015.

28. At 31 December 2015, UNFPA made a provision for doubtful accounts of $0.1 million (similar to 2014), for contributions receivable for which collection was considered doubtful.

29. Annex 1, table 17, provides a summary of regular resource contributions in excess of $1.0 million.

30. Actual total expenses for 2015 were $482.7 million – $17.7 million (3.5 per cent) lower than total expenses in 2014.

31. Out of total expenses for 2015, $453.7 million were spent on country programmes, global and regional interventions, institutional budget and other programme activities. The remaining $29.0 million were spent on corporately administered expenses, such as annual costs of post-employment benefits for UNFPA staff ($12.7 million), foreign exchange loss on contributions receivable ($6.1 million), and income tax reimbursements to the citizens of one Member State ($5.9 million).

32. In annex 1, tables 4 through 12 delineate programme and institutional budget expenses funded from regular resources.

B. Fund balances and reserves

33. In 2015, expenses under regular resources exceeded revenue for the year by $37.9 million (see annex 1, table 1).

34. At the end of 2015, $24.8 million were available for programming in 2016, as shown in annex 1, table 18.

35. At 31 December 2015, UNFPA had decreased its operational reserve by $16.7 million, from $95.1 million in 2014 to $78.4 million. This reduction was made in accordance with the UNFPA financial regulations and rules, in order to set the level of the reserve equal to 20 per cent of the regular resources net contribution revenue for the year.

IV. Other resources

A. Revenue and expenses

36. In UNFPA, other resources comprise trust funds and special funds. Special funds include the junior professional officers programme; procurement services – non-third party services related; and other funds.

37. A summary of revenue, expenses, fund movements and fund balances under other resources in 2015 are presented in the table below.

	Trust funds	Special funds	Total
	Millions of United States dollars		
Fund balance at 1 January 2015	**639.4**	**36.0**	**675.4**
Contributions – gross	575.3	6.0	581.3
Less: refunds to donors	(4.5)	-	(4.5)
Less: cost recovery charges	(33.3)	-	(33.3)
Less: UNFPA contributions to joint programmes where it serves as managing agent	(0.2)	-	(0.2)
Other revenue	1.0	3.7	4.7
Total revenue	**538.3**	**9.7**	**548.0**
Expenses – gross	(518.7)	(9.5)	(528.2)
Less: cost recovery charges	33.3	-	33.3
Less: UNFPA contributions to joint programmes where it serves as managing agent	0.2	-	0.2
Total expenses	**(485.2)**	**(9.5)**	**(494.7)**
Transfers between funds and other adjustments	(0.4)	1.3	0.9
Total movements within fund balances	**(0.4)**	**1.3**	**0.9**
Fund balance at 31 December 2015	**692.1**	**37.5**	**729.6**

38. Total revenue under other resources has grown by $46.3 million (9.2 per cent), from $501.7 million in 2014 to $548.0 million in 2015.

39. Expenses for the year have decreased by $7.0 million (1.4 per cent), from $501.7 million in 2014 to $494.7 million in 2015.

40. In annex 1, tables 4 through 12 delineate trust fund expenses.

B. Fund balances

41. The excess of revenue over expenses (surplus) for 2015 under other resources was $53.3 million, as shown in annex 1, table 1. This amount is included in a total other resources year-end fund balance of $729.6 million.

42. The other resources fund balance includes $278.6 million of contributions receivable that were not due for payment by the end of 2015 as well as contributions that have been received but are earmarked for activities in future years.

C. Cost recovery

43. UNFPA charges cost recovery for the implementation of projects funded with other resources. The latest cost recovery rates were approved by the Executive Board in decision 2013/9, and range from 5 per cent for contributions from programme governments contributing to their own country programmes to 8 per cent for standard co-financing agreements. In 2015, exceptions to the standard rates were granted, in the context of specific co-financing agreements, to the following donors: Saudi Arabia (7 per cent); United Nations Children's Education Fund (7 per cent); United Nations Office for Project Services (7 per cent); the Secretariat of the Pacific Community (7 per cent); the UNDP Multi-Partner Trust Fund – Iraq Trust Fund (6.25 per cent); and the United Nations Office for the Coordination of Humanitarian Affairs (5 per cent).

V. Cash and investments

44. At 31 December 2015, cash and investments held by UNFPA totalled $780.5 million ($934.8 million in 2014), comprising cash and cash equivalents (including investments with a duration of less than 90 days) of $77.4 million and other investments of $703.1 million. Of the total investments, $349.7 million are restricted in use for the operational reserve ($78.4 million); funding for employee benefits liability ($187.9 million); principal amount of the private endowment trust ($33.7 million); funds held by UNFPA on behalf of other United Nations organizations in the capacity of Administrative Agent ($44.7 million); and reserve for field accommodation ($5.0 million). Cash, cash equivalents and investments are shown in annex 1, table 2.

VI. Other assets and liabilities

45. UNFPA inventory balance amounted to $59.0 million at the end of 2015. This represents an 8.7 per cent increase, compared to 2014, when inventories held at year end amounted to $54.3 million. UNFPA inventory consists of reproductive health commodities and other programme-related goods that are either stored in warehouses or are in transit and not yet physically received at their destination. At the end of 2015, $40.8 million (69.2 per cent) of inventory were in transit to their intended locations and $18.2 million (30.8 per cent) worth of inventory was held in warehouses, either at headquarters or in the field.

46. Contributions receivable reached $300.9 million at the end of 2015 (a $71.8 million increase over 2014), of which 93.8 per cent were for other resources. A substantial share of contributions receivable ($278.6 million) referred to instalments from multi-year agreements, which fall due in the following years.

47. In 2015, operating fund advances outstanding at year end declined by 21.9 per cent, falling from $13.9 million in 2014 to $10.8 million in 2015.

48. Employee benefits liabilities at the end of 2015 totalled $302.7 million, decreasing from $332.1 million in 2014. This is primarily attributable to a $51.5 million actuarial gain on the after-service health insurance and other post-employment benefits liability. The unfunded portion of the employee benefits liability decreased from $154.8 million at the end of 2014 to $114.8 million at the end of 2015, mainly attributable to the overall reduction in liability as well as to additional funding of $10.6 million set aside during the year.

VII. Conclusions

49. UNFPA managed to close the year 2015 in good financial health by ensuring that its outstanding commitments remained within available financial resources. However, the decrease of regular resources as a proportion of total resources presents new challenges for the organization, particularly as this trend is not expected to reverse in the foreseeable future.